

Aon Corporation

Third-Quarter Earnings: Disappointing Quarter, Readjusting Expectations for 2012

Summary:

The Hewitt merger, after being on track for almost a year, hit a bump in the road during the third quarter. While the third quarter is seasonally challenging and there were some one-time expenses, results suggest the unit's profitability may be lower than expected. The fourth quarter, which is the strongest, should provide more visibility for future margin levels.

Estimate Revisions:

We lowered our 2011 EPS estimate from \$3.37 to \$3.30 to account for the third-quarter miss and lowered fourth-quarter expectations, given weakness in the HR Solutions segment margin. We also reduced our 2012 EPS estimate from \$3.77 to \$3.60 to reflect slower growth and lower-than-expected margins for the HR Solutions segment, offset somewhat by improvements in both organic growth and margin for the Risk Management segment. We are initiating a 2013 EPS estimate of \$4.30.

Factors to Watch:

- **HR Solutions Integration Process:** Consulting should drive the majority of earnings growth over the next two years, as the margin troughs at the end of 2011 and begins to improve throughout 2012. Management reiterated that the business was on track to meet management goals of \$242 million of cost savings for 2011 and \$350 million by 2013.
- **Risk Management Margin:** The margin in the brokerage segment finally began showing progress this quarter, jumping 160 basis points year-over-year. With forecast organic growth remaining solid (our estimate is 3% for 2012), the segment should be able to secure additional margin expansion for the next few years. We moderately increased our 2012 margin estimate to 20.4% from 19.7%.
- **Free Cash Flow Growth Remains Robust:** Due to increased amortization and depreciation related to deal activity, cash flow growth is expected to outpace earnings growth significantly over the next two years. We anticipate cash EPS of \$3.57 for 2011 and \$4.22 for 2012.

Bottom Line:

Aon has the potential to outperform peers in 2012 even in a slowing economy. While potentially lower-than-expected consulting profitability is a concern, consolidation-related savings should still translate into roughly 20%-plus cash earnings growth. In addition, higher property and casualty rates could eventually add a tailwind to organic growth and margins. Given that the stock is trading at only 11 times 2012 cash earnings, we believe AON still represents one of the better values among the brokers.

Aon Corporation is a leading global insurance broker, providing risk management services, insurance and reinsurance brokerage, and human capital consulting.

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Please consult the last page of this report for all disclosures.

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October 31, 2011

Stock Rating: **Outperform**
 Company Profile: **Established Growth**

Symbol: AON (NYSE)
 Price: \$47.99 (52-Wk.: \$40-\$55)
 Market Value (mil.): \$16,642
 Fiscal Year End: December
 Long-Term EPS Growth Rate: 12%
 Dividend/Yield: \$0.60/1.3%

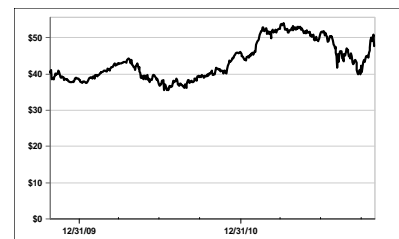
	2010A	2011E	2012E
Estimates			
EPS Q1	\$0.83	A\$0.80	\$0.82
Q2	\$0.81	A\$0.83	\$0.87
Q3	\$0.61	A\$0.69	\$0.82
Q4	\$0.84	\$0.98	\$1.10
FY	\$3.07	\$3.30	\$3.60
CY		\$3.30	\$3.60

Valuation			
FY P/E	15.6x	14.5x	13.3x
CY P/E		14.5x	13.3x

Trading Data (Thomson Financial)	
Shares Outstanding (mil.)	327
Float (mil.)	323
Average Daily Volume	3,059,782

Financial Data (Thomson Financial)	
Long-Term Debt/Total Capital (MRQ)	25.0
Book Value Per Share (MRQ)	21.2
Enterprise Value (mil.)	19,908.9
EBITDA (TTM)	2,127.0
Enterprise Value/EBITDA (TTM)	9.4x
Return on Equity (TTM)	10.5

Two-Year Price Performance Chart



Sources: Thomson Financial, William Blair & Company estimates

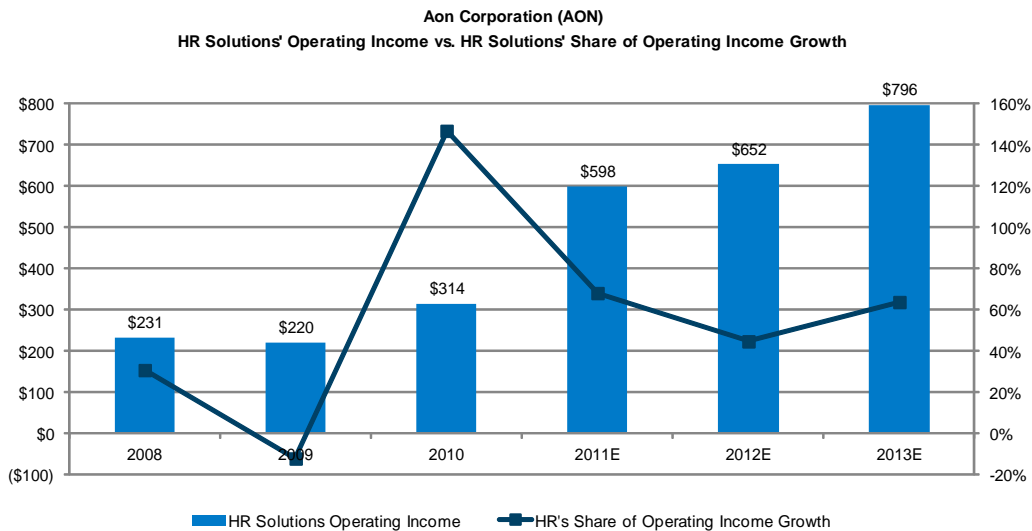
Earnings Forecast:

We lowered our 2011 EPS estimate from \$3.37 to \$3.30 to account for the third-quarter miss and lowered expectations for the fourth quarter, given weakness in the HR Solutions segment margin. We also modestly reduced our 2012 EPS estimate from \$3.77 to \$3.60 to reflect slower growth and lower-than-expected margins for the HR Solutions segment, offset somewhat by improvements in both organic and margin for the Risk Management segment. Our 2012 estimates assume 2.7% revenue growth for the company and a 60-basis-point improvement in overall pretax margin. We also assume the company repurchases 20 million shares next year.

We are initiating a 2013 EPS estimate of \$4.30. Our 2013 estimate assumes 3.6% revenue growth and a 120-basis-point improvement in pretax margin. Our EPS estimate assumes the company repurchases an additional 19 million shares in 2013.

Factors to Watch:

HR Solutions Integration Progress: The HR Solutions segment should drive most of the operating earnings growth over the next two years. We expect consulting earnings to increase from roughly \$0.60 pre-deal (2010) to \$1.18 by 2012. Management reiterated that the business was on track to meet its goals of \$242 million of cost savings for 2011, \$320 million in 2012, and \$350 million by 2013. Assuming, that Aon can achieve the \$320 million target by the end of 2012, the consulting margin (excluding goodwill) should improve from 18.8% (2011) to 21.0%. HR Solutions represents roughly 50% to 60% of total operating income growth for 2011-2013.



Sources: Company reports and William Blair & Company, L.L.C.

The major swing factor is organic revenue growth. Our current forecast assumes flat to slightly negative organic growth for 2011 and 2.4% for 2012, which is down from the 4.5% growth we were projecting earlier this year. Through the first three quarters of 2011, organic growth for the consulting segment has been -1%. Going forward, we would expect the healthcare segment growth to pick up slightly and potentially grow faster than our expectations. This segment is being helped by pent-up demand, as corporations begin to ease spending mandates. The outsource business is to some extent levered to employment trends. An improvement in the jobs outlook would be a definite plus for this segment of Aon's consulting business.

As our expectations for growth have slowed going into 2012, we materially lowered our operating margin assumptions for next year. Our current 2012 operating margin estimate is 21% (excluding goodwill amortization), down from the 24% we were originally expecting. The fourth quarter will represent the first year-over-year comparison we have for the HR Solutions segment including the Hewitt acquisition, so results should help provide more clarity around the progress Aon has made in regards to their integration efforts. In the long term, we believe the segment has significant earnings potential, and we expect visible signs of progress to emerge in the first half of 2012.

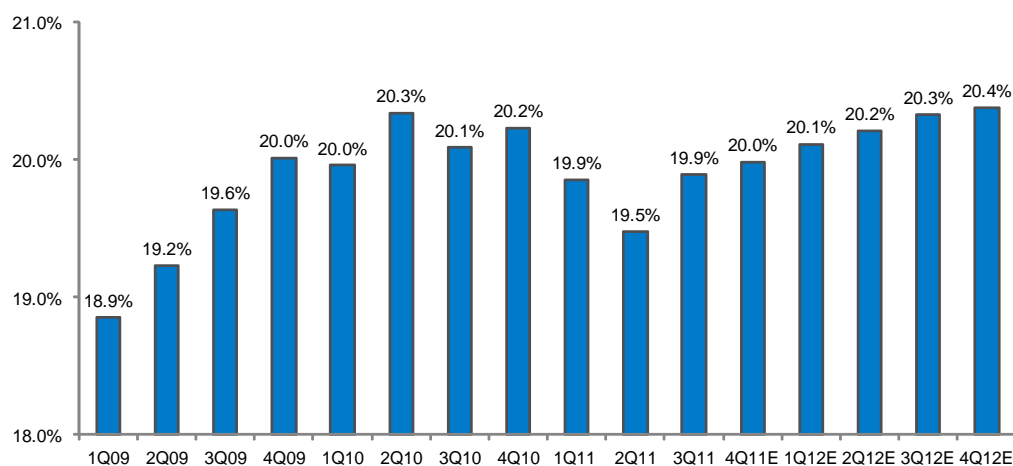
Aon Corporation (AON)
HR Solutions Segment Expense Projections
(\$ in millions, expect per share data)

Line Item	Q4'10	Q1'11	Q2'11	Q3'11	Q4'11E	2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	2012E
Total Revenue	\$1,151.0	\$1,117.0	\$1,090.0	\$1,112.0	\$1,151.0	\$4,470.0	\$1,137.7	\$1,111.8	\$1,142.6	\$1,182.6	\$4,574.7
% Change Annual					0.0%		1.8%	2.0%	2.8%	2.7%	2.3%
Prior Year Expenses (ex Amortization)					\$929.0	\$895.0	\$870.0	\$898.0	\$914.9	\$914.9	\$3,577.9
Normal Growth in Expenses (3%)					\$27.9	\$26.9	\$26.1	\$26.9	\$27.4	\$27.4	\$107.3
Projected Impact of Foreign Exchange					\$5.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Projected Other Items					\$10.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Projected One Time Expenses Related to Deal					\$50.0	\$25.0	\$25.0	\$25.0	\$25.0	\$25.0	\$100.0
Projected Deal Amortization Expense					\$60.0	\$77.5	\$77.5	\$77.5	\$77.5	\$77.5	\$310.0
Incremental Restructuring savings	\$0.0	(\$24.0)	(\$34.0)	(\$37.0)	(\$42.0)	(\$137.0)	(\$21.0)	(\$16.0)	(\$18.0)	(\$18.0)	(\$73.0)
Total Expenses	\$1,065.0	\$994.0	\$975.0	\$1,035.0	\$1,039.9	\$4,043.9	\$1,003.4	\$982.6	\$1,009.4	\$1,026.8	\$4,022.2
One Time Expenses Related to Deal	\$71.0	\$38.0	\$36.0	\$48.0	\$50.0	\$172.0	\$25.0	\$25.0	\$25.0	\$25.0	\$100.0
Total Adjusted Expenses	\$994.0	\$956.0	\$939.0	\$987.0	\$989.9	\$4,865.9	\$978.4	\$957.6	\$984.4	\$1,001.8	\$3,922.2
Impact of Foreign Exchange	\$0.0	\$0.0	\$10.0	\$8.0	\$5.0	\$23.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Other Items	\$0.0	\$0.0	\$0.0	\$20.0	\$10.0	\$20.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Total Recurring Adjusted Expenses	\$994.0	\$956.0	\$929.0	\$959.0	\$974.9	\$3,818.9	\$978.4	\$957.6	\$984.4	\$1,001.8	\$3,922.2
Deal Amortization Expense	\$65.0	\$61.0	\$59.0	\$61.0	\$60.0	\$241.0	\$77.5	\$77.5	\$77.5	\$77.5	\$310.0
Total Recurring Expenses (ex Amortization)	\$929.0	\$895.0	\$870.0	\$898.0	\$914.9	\$3,577.9	\$900.9	\$880.1	\$906.9	\$924.3	\$3,612.2
% Change Annual					-1.5%		0.7%	1.2%	1.0%	1.0%	1.0%
Total Restructuring Savings	\$0.0	(\$24.0)	(\$34.0)	(\$37.0)	(\$42.0)	(\$137.0)	(\$45.0)	(\$50.0)	(\$55.0)	(\$60.0)	(\$210.0)
Operating Income	\$157.0	\$161.0	\$151.0	\$125.0	\$161.1	\$598.1	\$159.3	\$154.2	\$158.1	\$180.8	\$652.5
Pre Tax Margin (with Amotization)	13.6%	14.4%	13.9%	11.2%	14.0%	13.4%	14.0%	13.9%	13.8%	15.3%	14.3%
Pre Tax Margin (ex Amortization)	19.3%	19.9%	19.3%	16.7%	19.2%	18.8%	20.8%	20.8%	20.6%	21.8%	21.0%

Sources: Company reports and William Blair & Company, L.L.C.

Risk Management Margins: The brokerage business had a strong quarter for margin performance, after second-quarter margins disappointed with a 150-basis-point decline year-over-year. Management impressively brought the margin from below 15% to 20% in the last five years. However, it appears to be stagnating around the 20% range, whereas management is targeting margins closer to 25% in the long run. It is unclear if the company is hitting the wall on margin expansion as the business could be closer to its core profitability, or if given the competitive nature of the business margin expansion will be limited until revenue growth moves to a higher level. Given a somewhat challenging organic environment (we project 2.4% for 2011 and 2.7% for 2012), we expect margin expansion over the next two years to be modest at best. We are currently projecting margins to expand from 20% in 2011 to 21% by 2013. Should the rate or macroeconomic environments improve dramatically during the course of 2012, our margin estimates could prove to be conservative.

Aon Corporation (AON)
Risk Solutions Pre-Tax Margin (Rolling 12-Month)



Sources: Company reports and William Blair & Company, L.L.C.

Free Cash Flow Growth Remains Robust: Due to increased amortization and depreciation related to deal activity, cash flow growth is expected to outpace earnings growth significantly over the next two years. We anticipate cash EPS of \$3.57 for 2011 and \$4.22 for 2012. As we mentioned during several of our previous DCF analyses on the brokers, AON has stronger cash flow growth than the majority of its peers, which should give them more flexibility with capital management over the next few years.

**Aon Corporation (AON)
EPS and Cash EPS Growth**

	2010	2011E	2012E	2013E
EPS	\$3.07	\$3.30	\$3.60	\$4.30
% Growth	-1.6%	7.5%	9.1%	19.4%
Earnings Multiple	15.6x	14.5x	13.3x	11.2x
Cash EPS	\$3.30	\$3.57	\$4.22	\$5.11
% Growth	-0.5%	8.2%	18.2%	21.1%
Cash Earnings Multiple	14.5x	13.4x	11.4x	9.4x

Sources: Company reports and William Blair & Company, L.L.C.

Given the expansion of cash, we anticipate share repurchases of 15 million in 2011, 20 million in 2012, and 19 million in 2013, which should help provide leverage to earnings growth.

Bottom Line:

Aon has the potential to outperform peers in 2012 even in a slowing economy. While potentially lower-than-expected consulting profitability is a concern, consolidation-related savings should still translate into roughly 20%-plus cash earnings growth. In addition, higher property and casualty rates could eventually add a tailwind to organic growth and margins. Given that the stock is trading at only 11 times 2012 cash earnings, we believe AON still represents one of the better values among the brokers.

**Insurance Brokers and Insurance Services
Valuation Comparison**

Ticker	Rating	Price	GAAP EPS			GAAP P/E			Cash P/E			EV / EBITDA		
			2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E	2010	2011E	2012E
AON	O	47.99	\$3.07	\$3.30	\$3.60	15.6x	14.6x	13.3x	14.5x	13.5x	11.4x	10.5x	8.0x	7.5x
AJG	M	30.96	\$1.36	\$1.36	\$1.75	22.7x	22.8x	17.7x	16.6x	17.2x	13.9x	11.3x	9.3x	8.3x
BRO	M	22.64	\$1.13	\$1.07	\$1.10	20.0x	21.1x	20.6x	15.2x	15.6x	15.1x	9.3x	9.4x	9.1x
MMC	M	30.95	\$1.66	\$1.81	\$2.14	18.7x	17.1x	14.4x	18.0x	16.5x	13.8x	9.6x	8.9x	8.3x
WSH	O	36.45	\$2.69	\$2.80	\$3.20	13.6x	13.0x	11.4x	12.0x	20.1x	10.5x	9.0x	8.9x	8.3x
Average						18.1x	17.7x	15.5x	15.3x	16.6x	12.9x	9.9x	8.9x	8.3x
Median						18.7x	17.1x	14.4x	15.2x	16.5x	13.8x	9.6x	8.9x	8.3x

Source: Company reports, Thomson One, and William Blair & Company L.L.C.

Third Quarter Review:

Summary:

Solid progress on the brokerage margin and better than peer organic growth for the quarter were masked by weakness in the HR Solutions Segment. Adjusted operating EPS of \$0.69 was below our estimate of \$0.72 and consensus of \$0.73. However, excluding \$0.03 of currency gains, the quarter ended up coming in about \$0.06 below our expectations.

Key Points:

- **Weakness in HR Solutions Segment:** The consulting segment had a tough quarter, although it has been traditionally seasonally weak during the third quarter. The operating margin was 11% for the quarter, versus our estimate of 15%. The third quarter is seasonally weak, but the margins are even weaker than expected. On a sequential basis expenses were up by almost 5% in the third quarter. Restructuring savings also came in somewhat below our expectations. The level of cost growth will be a key factor going forward.
- **Brokerage Organic:** Brokerage organic during the quarter was 4% in both the U.S. and internationally. Overall organic was 2.9%, above our estimate of 2.5%. The only weak spot was reinsurance brokerage, which continued to have negative organic for the sixth out of the last seven quarters.
- **Brokerage Margin:** The margin got a nice boost above expectations for the quarter. The margin came in at 19%, above our expectations of 17.9%, and a 160-basis-point improvement year-over-year.

Bottom Line:

Progress with the Hewitt merger hit a speed bump this quarter, as expense growth far exceeded revenue growth, and margins took a big hit. Given a strong recent run in the stock, this will likely pressure the stock in the near term. Long term, the stock remains a reasonably good value and should have good momentum in 2012.

AON Corporation (AON) Variance Analysis

(\$ in millions, expect per share data)

	3Q10 Actual	2Q11 Actual	3Q11 Actual	% Change Y/Y Q/Q		3Q11 WB est	Variance % \$	
RISK MANAGEMENT SEGMENT								
Total Revenue	\$1,484.0	\$1,728.0	\$1,617.0	9%	-6%	\$1,539.0	5%	\$78.0
Organic Growth	-0.5%	2.0%	2.9%			2.5%		
Total Expenses	\$1,226.0	\$1,373.0	\$1,309.0	7%	-5%	\$1,263.5	4%	\$45.5
Operating Income	\$258.0	\$355.0	\$308.0	19%	-13%	\$275.5	12%	\$32.5
Pre Tax Margin	17.4%	20.5%	19.0%			17.9%		
HR SOLUTIONS SEGMENT								
Total Revenue	\$321.0	\$1,090.0	\$1,112.0	246%	2%	\$1,070.0	4%	\$42.0
Total Expenses	\$267.0	\$880.0	\$926.0	247%	5%	\$904.2	2%	\$21.8
Operating Income	\$54.0	\$210.0	\$186.0	244%	-11%	\$165.8	12%	\$20.2
Margin with cost savings	16.8%	19.3%	16.7%			22.0%		
Margin after amortization	-	13.9%	11.2%			16.3%		
CONSOLIDATED								
Adjusted Operating Income Per Share	\$0.81	\$0.83	\$0.69			\$0.72		(\$0.03)
Average diluted shares	282.6	342.7	336.9			337.9		

Source: Company reports and William Blair & Company, L.L.C. estimates

	2009	2010	Q1'11	Q2'11	Q3'11	Q4'11E	2011E	Q1'12E	Q2'12E	Q3'12E	Q4'12E	2012E
INCOME STATEMENT												
Brokerage comm. & fees	\$7,503.0	\$8,493.2	\$2,755.0	\$2,806.0	\$2,714.0	\$2,979.6	\$11,254.6	\$2,828.9	\$2,882.9	\$2,793.4	\$3,065.8	\$11,571.0
% Change	0.8%	13.2%	43.3%	49.0%	52.1%	2.6%	32.5%	2.7%	2.7%	2.9%	2.9%	2.8%
Net investment income	\$142.0	\$58.0	\$34.0	\$12.0	\$26.0	\$20.0	\$92.0	\$11.0	\$10.0	\$10.0	\$9.0	\$40.0
% Change	(46.2%)	(59.2%)	11.0%	11.0%	11.0%	11.0%	58.6%	11.0%	11.0%	11.0%	11.0%	(56.5%)
Total Revenue	\$7,645.0	\$8,551.2	\$2,789.0	\$2,818.0	\$2,740.0	\$2,999.6	\$11,346.6	\$2,839.9	\$2,892.9	\$2,803.4	\$3,074.8	\$11,611.0
% Change	(0.9%)	11.9%	44.1%	48.2%	52.3%	2.9%	32.7%	1.8%	2.7%	2.3%	2.5%	2.3%
Compensation Benefits & G&A	\$5,975.0	\$6,733.0	\$2,202.0	\$2,234.0	\$2,214.0	\$2,334.9	\$8,984.9	\$2,244.2	\$2,278.0	\$2,216.9	\$2,363.8	\$9,102.8
% Change	(5.5%)	12.7%	43.1%	49.4%	56.2%	2.3%	33.4%	1.9%	2.0%	0.1%	1.2%	1.3%
Benefits to Policyholders												
Interest expense	\$124.0	\$182.0	\$63.0	\$63.0	\$60.0	\$62.0	\$248.0	\$59.0	\$59.0	\$59.0	\$59.0	\$236.0
AON Amortization & Depreciation	\$242.0	\$238.0	\$62.0	\$72.0	\$65.0	\$62.0	\$261.0	\$62.0	\$62.0	\$62.0	\$62.0	\$248.0
Deal Amortization		65	\$61.0	\$59.0	\$61.0	\$60.0	\$241.0	\$77.5	\$77.5	\$77.5	\$77.5	\$310.0
Hewitt Depreciation		40	\$21.0	\$18.0	\$18.0	\$17.5	\$74.5	\$17.0	\$16.5	\$16.0	\$15.5	\$65.0
Total Amortization & Depreciation		\$343.0	\$144.0	\$149.0	\$144.0	\$139.5	\$576.5	\$156.5	\$156.0	\$155.5	\$155.0	\$623.0
Total Operating Expenses	\$6,341.0	\$7,233.0	\$2,388.0	\$2,428.0	\$2,400.0	\$2,518.9	\$9,734.9	\$2,442.7	\$2,476.5	\$2,415.4	\$2,562.3	\$9,896.8
% Change	(2.3%)	14.1%	46.4%	52.9%	55.6%	1.9%	34.6%	2.3%	2.0%	0.6%	1.7%	1.7%
Pretax Operating Income	\$1,304.0	\$1,318.2	\$401.0	\$390.0	\$340.0	\$480.7	\$1,611.7	\$397.2	\$416.4	\$388.0	\$512.6	\$1,714.2
% Change	7.1%	1.1%	31.8%	24.6%	32.3%	8.3%	22.3%	-0.9%	6.8%	14.1%	6.6%	6.4%
Pretax Operating Margin	17.1%	15.4%	14.4%	13.8%	12.4%	16.0%	14.2%	14.0%	14.4%	13.8%	16.7%	14.8%
Special Charges	\$0.0	\$187.0	\$45.0	\$19.0	\$48.0	\$50.0	\$162.0	\$25.0	\$25.0	\$25.0	\$25.0	\$100.0
Adj. P-T Income	\$1,304.0	\$1,131.2	\$356.0	\$371.0	\$292.0	\$430.7	\$1,449.7	\$372.2	\$391.4	\$363.0	\$487.6	\$1,614.2
Income Taxes	\$354.0	\$326.3	\$116.0	\$96.0	\$98.0	\$144.2	\$454.2	\$117.2	\$122.8	\$114.5	\$151.2	\$505.7
Tax rate	27%	25%	32.6%	24.6%	28.8%	30.0%	28%	30%	30%	30%	30%	30%
Adj. A-T Income from cont. ops.	\$950.0	\$804.9	\$240.0	\$275.0	\$194.0	\$286.5	\$995.5	\$255.0	\$268.6	\$248.5	\$336.4	\$1,108.5
A-T Income from disc. ops./charges												
A-T Net Income	\$950.0	\$804.9	\$240.0	\$275.0	\$194.0	\$286.5	\$995.5	\$255.0	\$268.6	\$248.5	\$336.4	\$1,108.5
% Change				266								
Minority Interest	(\$45.0)	(\$26.0)	(\$9.0)	(\$9.0)	(\$10.0)	(\$10.0)	(\$38.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$10.0)	(\$40.0)
Preferred dividends	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Adjusted Income	\$905.0	\$778.9	\$231.0	\$266.0	\$184.0	\$276.5	\$957.5	\$245.0	\$258.6	\$238.5	\$326.4	\$1,068.5
Net Income Per Share	\$3.12	\$2.61	\$0.67	\$0.78	\$0.55	\$0.83	\$2.82	\$0.74	\$0.79	\$0.74	\$1.03	\$3.29
Extraordinary Items Per Share, Net	\$0.00	\$0.46	\$0.13	\$0.06	\$0.14	\$0.15	\$0.48	\$0.08	\$0.08	\$0.08	\$0.08	\$0.31
Capital Gains (losses) Per Share	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Operating Income Per Share	\$3.12	\$3.07	\$0.80	\$0.83	\$0.69	\$0.98	\$3.30	\$0.82	\$0.87	\$0.82	\$1.10	\$3.60
% Change	10.3%	(1.6%)	(3.7%)	2.6%	13.5%	16.7%	7.3%	2.0%	4.1%	18.5%	13.2%	9.1%
Cash Earnings Per Share	\$3.32	\$3.30	\$0.85	\$0.96	\$0.74	\$1.01	\$3.57	\$0.97	\$1.02	\$0.97	\$1.26	\$4.22
% Change	13.5%	(0.5%)	(4.1%)	10.0%	9.1%	17.3%	7.9%	13.4%	5.9%	32.1%	24.4%	18.4%
Currency Impact	(\$0.03)		(\$0.02)	\$0.03	\$0.03							
Avg. shares outstanding	290.3	298.7	345.4	342.7	336.9	334.6	339.9	331.2	327.5	323.0	318.2	325.0

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Current Rating Distribution (as of 09/30/11)

Coverage Universe	Percent	Inv. Banking Relationships*	Percent
Outperform (Buy)	59	Outperform (Buy)	8
Market Perform (Hold)	31	Market Perform (Hold)	2
Underperform (Sell)	1	Underperform (Sell)	0

*Percentage of companies in each rating category that are investment banking clients, defined as companies for which William Blair has received compensation for investment banking services within the past 12 months.

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